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USSR FOSTERS ECONOMIC DEVELOPMENT
IN MONGOLIAN PEOPLE'S REPUBLIC

[Numbers in parentheses refer to appended sources.]

The gradual development and stabilization of the economic position of the Mongolian People's Republic is being effected by the strengthening of economic ties with the USSR, in the form of Soviet material aid and technical advice. Imports of machinery and precision equipment from the USSR have been steadily increasing. Soviet advisers have assisted in the construction of industrial plants, factories, railroads, and highways. Soviet-made tractors and other farm equipment have contributed to the further mechanization of Mongolian agriculture. (1) Soviet aid has been the dominant factor in the creation and stabilization of industrial enterprise in the Mongolian People's Republic. (2)

The development of Mongolian industry began in 1930, when the government concluded an agreement with USSR economic organizations and received technical assistance in the construction of an industrial combine and other enterprises. The trend of industrial development was toward the creation and expansion of manufacturing concerns to process such domestic raw materials as wool, leather, sheepskins, nonferrous metals, coal, timber and others. (3) Soviet loans and investments have stimulated a steady increase in total capital construction. In 1939, capital construction amounted to 10.6 million tugriks (one tugrik equals 1.3 rubles). (4) In 1946, it was 70.6 million tugriks. (3) In the current Five-Year Plan, which will end in 1952, a total of 253.3 million tugriks will have been invested in capital construction. (1)

Soviet specialists have also been instrumental in setting up industrial and trading cooperatives which are assuming increasing significance in the national economy. In 1921, Montsenkop (Central Consumers' Cooperative) was formed. This organization was operated jointly by the USSR and the Mongolian People's Republic until 1934. At that time, the USSR relinquished its supervisory and administrative authority over Mongolian trade, thus leaving a state monopoly over trading transactions in the hands of Montsenkop and the National Trading Corporation. The latter organization was set up in January 1935, immediately after the withdrawal of Soviet trading interests, in an effort to restore the private trade

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sector to its former position in the national economy. The chief function of the National Trading Corporation is to procure livestock, furs, and raw materials from private traders for export to the USSR and to the people's democracies.(4) On the other hand, Montsenkop is the principal channel for local trade, since it has control over several affiliated cooperatives scattered throughout the republic. In 1926, there were 134 cooperatives and 6,627 shareholders, with a total capital of 225,000 tugriks.(3) In 1950, there were about 4,200 cooperatives and more than 248,000 shareholders, with a total capital of almost 4 million tugriks.(7)

The current Five-Year Plan (1948 - 1952) envisages the following attainments:

1. Expansion of Mining and processing industries by developing new mines and constructing more plants and factories.
2. Establishment of new industries including glassworks, furniture and clothing factories, workshops for repair of sewing machines, adding machines, bicycles, etc.
3. Expansion of postal, telegraph, telephone, and radio communications.
4. Increase in food output of 117 percent.
5. Increase in generation of electric power.
6. Increase in volume of gross production in all state and cooperative industries of 96.8 percent, to achieve a total of 370 million tugriks.(1)

Industrialization

Mongolian industry is now celebrating its 30th year of development. In the past 30 years, Soviet aid has been instrumental in the construction, establishment, and management of an industrial combine, a meat combine, a food combine, a power combine, several coal, rare and nonferrous metal mines, a wool-washing plant, several tanneries, felt, clothing and shoe factories, construction material plants, machine repair shops, and factories to process hides and skins.(5)

Although progress has been achieved in many branches of industry, the most significant advancement has been attained by the coal-mining industry. Mongolian coal reserves have been estimated to total over 500 million tons, most of which is located in the Nalaikha area. Almost all of the coal mined in the Nalaikha coal basin is a friable brown coal which has approximately the same calorific value as coal mined in the Moscow basin. Although coal deposits have also been discovered in the Choybalsan, Dzun-Bulak, and Dalay Sayn Shanda areas, almost 90 percent of the coal mines in the republic is in the Nalaikha basin.(3) In 1939, Soviet coal-mining engineers assisted in the reconstruction and mechanization of the Nalaikha coal mines. Many pieces of modern mining machinery were imported from the USSR and installed by Soviet technicians. This equipment included electric and pneumatic drills, automatic lifts, conveyors, electric pumps, mechanical coal cutters, etc. In 1937, construction of a narrow gauge railroad between Nalaikha and Ulan Bator was begun; it was completed the following year. As a result, in 1939, more than 200,000 tons of coal were shipped to Ulan Bator by railroad, as compared with 7,900 tons in 1927 by pack animals.(4)

Since most of the industrial establishments in the republic are directly dependent on coal mined in this area, a steady increase in the output of coal has been an essential prerequisite for expanded industrial output. The annual output of coal at the time of the founding of the republic in 1921 was about 1,000 tons.(6) In 1947, it had risen to almost 300,000 tons a year. By the end of the current Five-Year Plan, coal production is expected to be twice that of 1947 and 600 times as much as in 1921.(3)

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Several other branches of industry are currently fulfilling their production goals: The Choybalsan Industrial Combine, Stalin Meat Combine, a timber combine in the Nalaikha coal basin, an automobile repair plant, a leather factory, the biological combine, and many other industrial establishments fulfilled the goals set for the third year of the current Five-Year Plan.(5) During the first year of the plan, the over-all industrial plan was fulfilled by 101.1 percent, and the plan for capital construction by 100.8 percent. During the second year, output of smelted pig iron increased by 1.5 percent over the previous year; output of butter by 10.2 percent; output of all types of skins by 31.5 percent; output of pieces of felt by 23.6 percent.(1) The volume of capital investments between 1945 and 1950 increased by 38.4 percent, thus assuring a steady expansion in the over-all industrialization of the republic.(7)

Soviet industrial experts are effecting a tremendous transformation in Mongolian industrial production. In 1927, the value of total industrial output was 1.8 million tugriks.(6) In 1937, it was 23 million tugriks.(4) In 1947, it had risen to 188.3 million; and in 1952, it is expected to reach 370 million tugriks, /more than 100 million US dollars/.(6) The following table shows the relative rate of increase in value of total industrial output.

Table 1. Value of Increase in Industrial Production
(millions of tugriks) (3, 4, 6)

<u>1927</u>	<u>1934</u>	<u>1936</u>	<u>1938</u>	<u>1940</u>	<u>1944</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1952</u>
1.8	8.7	20.8	41.5	52	112.1	173	188.3	196.3	370

The expanded industrial output has required a proportionate expansion in the country's labor force. In 1927, there were only 225 people engaged in industrial work; in 1934, there were 3,291.(4) In 1947, more than 60,000 workers were employed in industry; and by the end of 1952, this total is expected to be almost 74,000.(1) The following table shows the relative rate of increase in the number of industrial workers.

Table 2. Increase in Number of Industrial Workers (1, 3, 4)

<u>1927</u>	<u>1931</u>	<u>1934</u>	<u>1939</u>	<u>1940</u>	<u>1947</u>	<u>1952</u>
225	2,335	3,291	12,785	13,300	60,500	73,585

Soviet specialists have assisted in the formation of not only state industrial enterprises, but also of many handicraft industrial cooperatives, which are especially important for the industrial development of the country. Craftsmen are united on the basis of cooperative ownership of the fundamental means of production.(7, 8) In 1931, the Mongolian Handicraft Industrial Union was established on the basis of organized artels, the members of which directly participate in production and have a share in the profits.(4) During the first year of its existence, there were 14 artels and 734 members; in 1946, there were 198 artels and more than 12,000 workers.(3) Cooperative industry contributed over 47 million tugrik's worth of production in 1947. This amount is expected to be increased to over 90 million tugriks by the end of 1952, and represents almost 25 percent of the republic's total industrial output.(1)

Government Finance

Industrial expansion has necessitated a considerable increase in the total expenditures of the annual state budget. From 1921 to 1948, the budget increased almost 200 times, from 1.7 million to 329.2 million tugriks.(1, 4)

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There has been a steady increase in state revenue accruing from state-controlled industrial, banking, trading, transportation, communications, and cooperative enterprises.(4, 9) The following table shows the relative rate of increase of state revenue and expenditures.

Table 3. Increase in Annual State Budget
(millions of tugriks) (3, 4, 10)

	<u>1921</u>	<u>1926</u>	<u>1932</u>	<u>1933</u>	<u>1937</u>	<u>1940</u>	<u>1943</u>	<u>1945</u>	<u>1948</u>	<u>1951</u>
Revenue	--	--	--	--	69.3	123.9	208.6	315.2	--	351.4 (est)
Expenditures	1.7	10.4	45.0	33.5	65.4	122.1	185.4	304.4	329.2	346.4 (est)

Since the establishment of the republic, the bulk of annual state expenditures has been devoted to national defense. In 1923, over 60 percent of the expenditures were channeled into national defense projects. In 1940, national defense costs still accounted for almost 45 percent of the budget, and were approached only by economic development costs which claimed almost 25 percent of the budget.(4) The following table shows the breakdown of the annual state budget from 1923 to 1940.

Table 4. Breakdown of Annual State Budget (%) (4)

	<u>1923</u>	<u>1934</u>	<u>1936</u>	<u>1938</u>	<u>1940</u>
National defense	60.4	34.7	49.3	52.5	44.6
Economic development	15.8	27.1	15.2	22.3	24.3
Social-cultural	7.3	12.8	14.4	16.0	21.9
Government Administration	11.1	9.2	8.0	5.0	3.8
Others	5.4	16.2	13.1	4.2	5.4

In 1924, Soviet banking and financial experts assisted in the establishment of the Mongolian Industrial and Commercial Bank. This institution was originally operated as a joint Mongol-Soviet enterprise, since the USSR contributed 50 percent of the bank's initial capital. In 1938, the USSR relinquished its rights and privileges in the supervision and management of the bank, thus creating a completely nationalized banking system in the republic. Thus far, the bank's most significant achievement, in addition to bolstering the national economy by its credit operations, has been revision of the national currency. This course of action was initiated in 1925 and was fully implemented by 1928. The country was placed on the silver standard and the tugrik was established as the basic monetary unit. The bank later revised its currency policy and adopted the gold standard. As long as it has been the basic monetary unit, the tugrik has been readily convertible into rubles. At present (1950), the conversion ratio is one tugrik for 1.3 rubles.(4)

Foreign Trade

Since the founding of the republic, the USSR has played an important role in the conduct and disposition of Mongolian trade. Between 1921 and 1935, all financial, trading, and transport organizations in the country were jointly operated by the USSR and the Mongolian People's Republic. After 1935, these

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institutions became state monopolies. However, the USSR has continued to contribute both administrative and financial assistance whenever needed. In addition, since 1928, the USSR has continued to be the major consumer of Mongolian exports, and the major source of Mongolian imports. During 1923 - 1924, the USSR received 13.8 percent of all Mongolian exports. In 1928 - 1929, the USSR obtained 85.5 percent, and during 1930 - 1931, almost 95 percent of the republic's exports. During the latter period, the value of the over-all trade with the USSR was over 80.9 million rubles, while the value of trade with other countries amounted to only 4.3 million rubles.(4) The following tables show the relative increase in Mongolian imports from and exports to the USSR, during the period 1923 to 1931.

Table 5. Imports of Mongolian People's Republic (%) (4)

<u>From</u>	<u>1923-24</u>	<u>1924-25</u>	<u>1925-26</u>	<u>1926-27</u>	<u>1927-28</u>	<u>1930-31</u>
USSR	13.4	19.3	22.4	23.0	48.0	--
Others	86.6	80.7	77.6	77.0	42.0	--

Table 6. Exports of Mongolian People's Republic (%) (4)

<u>To</u>	<u>1923-24</u>	<u>1924-25</u>	<u>1925-26</u>	<u>1926-27</u>	<u>1927-28</u>	<u>1930-31</u>
USSR	13.8	24.2	39.1	50.0	85.5	94.9
Others	86.2	75.8	60.9	50.0	14.5	5.1

During World War II, Mongolian trade with the USSR increased greatly both in volume and in value. Mongolian exports of shoes, clothing, and food aided many thousand inhabitants of German-occupied regions of the USSR. In addition, Soviet cavalrymen received tens of thousands of horses, winter uniforms, and many items of military equipment. When the Mongolian People's Republic declared war on Japan, Soviet military advisers assisted in the training of the Mongol army, which later received high praise and recognition from the USSR for its decisive victory over Japanese forces in Manchuria in 1945. This alliance has resulted in a considerable increase in the value of Mongolia's over-all foreign trade.(6) In 1935, the value of Mongolia's foreign trade was 57.8 million tugriks; in 1939, it was 90.6 million; and by 1941, it had increased 2½ times over the 1935 level [over 140 million tugriks].(4)

The composition of Mongolian imports and exports has been changing gradually in accordance with the country's industrial development and expansion.(1) In 1942, the newly established food combine was satisfying the country's needs for foodstuffs. It was in that year that a Ministry of Food was created. As a result, imports of foodstuffs have been declining. On the other hand, industrial expansion has necessitated an increase in the import of industrial raw materials, machinery, power equipment, petroleum and chemical products, and others. Mongolian imports and exports are listed as follows:

1. Imports

Textile fibers and manufactured articles; leather goods; foodstuffs (basic consumer goods not yet manufactured on a large scale, tea, sugar, flour, fish, vegetables, etc.); chemical and petroleum products; construction materials; industrial and agricultural machinery; transportation and communications equipment; and others.(4, 9)

2. Exports

Live cattle, horses, and sheep; wool, hides, and skins; furs; meat and dairy products; and others.(4)

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